

**TOWN OF GOTEBO**  
Report on the Audit of the  
Financial Statements  
as of and for the twelve months ended  
June 30, 2014

**DAVID O. TATE**  
Certified Public Accountant  
Mangum, Oklahoma 73554

Town of Gotebo, Oklahoma  
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***David O. Tate***

Certified Public Accountant  
112 North Oklahoma, Suite A  
Mangum, Oklahoma 73554

Independent Auditor's Report

To the governing body of  
the Town of Gotebo, Oklahoma

I have audited the following accompanying financial statements of the Town of Gotebo, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the town's basic financial statements as listed in the table of contents:

- A. Governmental activities
- B. Business-type activities
- C. Each major fund
- D. The aggregate remaining fund information.

**Management responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with:

- A. Auditing standards generally accepted in the United States of America, and
- B. Standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the following of the Town of Gotebo, Oklahoma, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in conformity with the basis of accounting described in Note 1 to the financial statements.

- A. Governmental activities
- B. Business-type activities
- C. Each major fund
- D. The aggregate remaining fund information.

## Basis of accounting

I draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

## Other matters

### *Required supplementary information*

Management has not presented the required supplementary information, management's discussion and analysis and budgetary information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

## Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated September 19, 2014, on my consideration of the Town of Gotebo, Oklahoma's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Gotebo, Oklahoma's internal control over financial reporting and compliance.



Certified Public Accountant  
September 19, 2014

***David O. Tate***

Certified Public Accountant  
112 North Oklahoma, Suite A  
Mangum, Oklahoma 73554

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with  
*Government Auditing Standards***

The governing body of  
the Town of Gotebo, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the following financial statements of the Town of Gotebo, Oklahoma as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Gotebo, Oklahoma's basic financial statements, and have issued my report thereon dated September 19, 2014

- A. Governmental activities
- B. Business-type activities
- C. Each major fund
- D. The aggregate remaining fund information.

**Internal control over financial reporting**

In planning and performing my audit of the financial statements, I considered the Town of Gotebo, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Gotebo, Oklahoma's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Gotebo, Oklahoma's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and other matters**

As part of obtaining reasonable assurance about whether the Town of Gotebo, Oklahoma's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "David O. Tate". The signature is written in a cursive style with a large initial 'D' and 'T'.

Certified Public Accountant  
September 19, 2014

Town of Gotebo, Oklahoma  
Statement of Net Position-Modified Cash Basis  
June 30, 2014

			Primary Government		
			Governmental activities	Business-type activities	Total
Assets					
Cash and cash equivalents			17,177	2,535	19,712
Certificates of deposit			32,109		32,109
Restricted assets:					
Restricted cash				8,813	8,813
Certificates of deposit			22,504	9,049	31,553
Property and equipment, net of accumulated depreciation (Note 3)			157,620	192,979	350,598
Deposits held by third party administrators			4,236		4,236
Total assets			233,646	213,375	447,022
Liabilities					
Current liabilities					
Current portion of notes payable				6,275	6,275
Total current liabilities			-	6,275	6,275
Long-term liabilities (Note 3)					
Notes payable:					
Due in more than one year				7,635	7,635
Refundable deposits				8,944	8,944
Total long-term liabilities			-	16,579	16,579
Total liabilities			-	22,854	22,854
Net position					
Invested in capital assets, net of related debt			157,620	179,069	336,688
Restricted for:					
Other purposes			22,504	17,862	40,366
Unrestricted			53,522	(6,409)	47,113
Total net position			233,646	190,521	424,168
Total liabilities and net position			233,646	213,375	447,022
See the accompanying notes to the basic financial statements					

							Exhibit B
Town of Gotebo, Oklahoma							
Statement of Activities-Modified Cash Basis							
For the twelve months ended June 30, 2014							
			Program		Net (expense) revenue and changes		
			revenues		in net position		
				Operating	Primary government		
			Charges for	grants and	Governmental	Business-type	
Functions/programs	Expenses	services	contributions		activities	activities	Total
Primary government							
Governmental activities							
Public safety	13,898		4,474		(9,424)		(9,424)
General government	61,867	1,822	93,781		33,736		33,736
Total governmental ac	75,765	1,822	98,255		24,312		24,312
Business-type activities							
Utility services	89,099	89,047				(52)	(52)
Total business-type a	89,099	89,047	-			(52)	(52)
Total primary governme	164,864	90,869	98,255		24,312	(52)	24,260
			General revenues				
			Sales		53,967		53,967
			Use		1,951		1,951
			Tobacco		651		651
			Alcoholic beverage		3,904		3,904
			Commercial motor vehicle		1,983		1,983
			Gasoline excise tax		241		241
			Cemetery lots		800		800
			Donations		75		75
			Reimbursements		1,150		1,150
			Sales of surplus property		3,510		3,510
			Cemetery dues		6,647		6,647
			Franchise		4,545		4,545
			Investment income		321	51	372
			Operating/capital fund transfers in (out)		(92,933)	92,933	-
			Other		3,166		3,166
			Total general revenues		(10,022)	92,984	82,962
			Change in net position		14,290	92,932	107,222
			Net position, July 1, 2013		219,356	97,589	316,945
			Net position, June 30, 2014		233,646	190,521	424,167
See the accompanying notes to the basic financial statements							



						Exhibit C
Town of Gotebo, Oklahoma						
Balance Sheet-Modified Cash Basis						
Governmental Funds						
June 30, 2014						
				Other major	Other	
			General	governmental	governmental	
			fund	funds	funds	Total
Assets						
Cash and cash equivalents			5,640	9,110	2,426	17,177
Certificates of deposit			32,109	22,504		54,613
Deposits held by third party adminis			4,236			4,236
Total assets			41,985	31,614	2,426	76,025
Liabilities and Fund Balances						
Fund balances:						
Unreserved			41,985	31,614	2,426	76,025
Total fund balance			41,985	31,614	2,426	76,025
Total liabilities and fund balance			41,985	31,614	2,426	76,025
Reconciliation to Statement of Net Position:						
Amounts reported for governmental activities in the statement of						
net position are different because:						
Capital assets used in governmental activities of \$241,046 net of						
accumulated depreciation of \$83,426 are not financial resources						
and, therefore are not reported in the funds						157,620
Net position of governmental activities						233,645
See the accompanying notes to the basic financial statements						

Town of Gotebo, Oklahoma
Statement of Revenues, Expenditures, and
Changes in Fund Balances-Modified Cash
Basis-Governmental Funds
For the twelve months ended June 30, 2014

[illegible]

Town of Gotebo, Oklahoma  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances-Modified Cash  
Basis-Governmental Funds  
For the twelve months ended June 30, 2014

	General fund	Other major governmental funds	Other governmental funds	Total
Other financing sources (uses):				
Transfers in (out)	(92,933)			(92,933)
Total other financing sources (uses)	(92,933)	-	-	(92,933)
Net change in fund balances	7,905	1,914	4,568	14,387
Fund balances, July 1, 2013	34,080	29,700	(2,142)	61,638
Fund balances, June 30, 2014	41,985	31,614	2,426	76,025
Net change in fund balances-total governmental funds				14,387
Reconciliation to the Statement of Activities				
Amounts reported for governmental activities in the Statement of Activities are different because:				
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:				
Capital assets purchased capitalized				5,054
Depreciation expense				(10,204)
				(5,150)
Change in Net Position of Governmental Activities				9,237
See the accompanying notes to the basic financial statements				

	Town of Gotebo, Oklahoma
	Statement of Net Position-Modified Cash Basis
	Proprietary Fund
	June 30, 2014

						Gotebo Public Works Authority Enterprise Fund
Assets						
Current assets						
Cash and cash equivalents						2,535
Certificates of deposit						
Restricted assets:						
Restricted cash and cash equivalents						8,813
Certificates of deposit						9,049
Total current assets						20,397
Noncurrent assets						
Property and equipment net of accumulated depreciation						192,979
Total noncurrent assets						192,979
Total assets						213,376
Liabilities						
Current liabilities						
Current portion of notes payable						6,275
Total current liabilities						6,275
Noncurrent liabilities						
Refundable deposits						8,944
Notes payable, long-term portion						7,635
Total noncurrent liabilities						16,579
Total liabilities						22,854

See the accompanying notes to the basic financial statements

Town of Gotebo, Oklahoma
Statement of Net Position-Modified Cash Basis
Proprietary Fund
June 30, 2014

						Gotebo Public Works Authority Enterprise Fund
Net position						
Invested in capital assets, net of related debt						179,069
Restricted						
Debt service						6,836
Other						11,026
Unrestricted						(6,409)
Total net position						190,522
Total liabilities and net position						213,376

See the accompanying notes to the basic financial statements

						Exhibit F
Town of Gotebo, Oklahoma						
Statement of Revenues, Expenditures, and						
Changes in Net Position-Modified Cash						
Basis-Proprietary Fund						
For the twelve months ended June 30, 2014						
						Gotebo Public
						Works
						Authority
						Enterprise
						Fund
Operating revenues:						
Utility services						86,047
Cost of utility services provided						40,158
Gross margin on utility services						45,890
Other						3,000
Gross revenue from operations						48,890
Operating expenses:						
Repairs/maintenance						3,717
Depreciation						4,313
Salaries/wages						29,986
Other						10,066
Total operating expenses						48,082
Operating income (loss)						807
Non-operating revenues (expenses):						
Investment income						51
Intergovernmental revenues						
Interest expense						(859)
Total non-operating revenues (expenses)						(807)
Net income (loss) before contributions and transfers						0
Transfers in (out)						92,933
Change in net position						92,933
Net position, July 1, 2013						97,589
Net position, June 30, 2014						190,522
See the accompanying notes to the basic financial statements						

	Town of Gotebo, Oklahoma
	Statement of Cash Flows-Modified Cash Basis
	Proprietary Fund
	For the twelve months ended June 30, 2014

	Gotebo Public Works Authority
	Enterprise Fund
Cash flows from operating activities	
Receipts from customers	89,047
Payments to suppliers	(53,146)
Payments to employees	(29,986)
Net cash provided by (used in) operating activities	5,915
Cash flows from capital and related financing activities	
Transfers in	92,933
Acquisition of property and equipment	(93,433)
Principal paid on capital debt	(6,013)
Interest paid on capital debt	(859)
Net cash provided by (used in) capital and related financing activities	(7,372)
Cash flows from investing activities:	
Interest earned	51
Net cash flows provided by (used in) investing activities	51
Net increase (decrease) in cash and cash equivalents	(1,406)
Balance, July 1, 2013	21,803
Balance, June 30, 2014	20,397
See the accompanying notes to the basic financial statements	

Town of Gotebo, Oklahoma  
Statement of Cash Flows-Modified Cash Basis-  
Proprietary Fund  
For the twelve months ended June 30, 2014

							Gotebo Public
							Works
							Authority
							Enterprise
							Fund
Reconciliation of operating income (loss) to net cash provided by operating activities:							
Operating income (loss)						807	
Adjustments to reconcile operating income to net cash provided by (used in)							
operating activities:							
Increase (decrease) in customers utility deposits						795	
Depreciation expense						4,313	
Net cash provided by (used in) operating activities						5,915	

See the accompanying notes to the basic financial statements



Town of Gotebo, Oklahoma  
Notes to the Basic Financial Statements  
June 30, 2014

Note 1-Significant Accounting Policies

- A. Summary of Significant Accounting Policies.  
As discussed further in Note 1. D., these financial statements are presented on a modified cash basis of accounting. This modified cash basis differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.
- B. Financial Reporting Entity.  
The Town's financial reporting entity is composed of the following:  
Primary government: Town of Gotebo  
Blended component unit: Gotebo Public Works Authority

In determining the financial reporting entity, the Town of Gotebo complies with the provisions of Governmental Accounting Standards Board Statement 14, "The Financial Reporting Entity".

Blended Component Unit.

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the governing body of the primary government, or the component unit provides services entirely to the primary government. The component unit's funds are blended into those of the Town of Gotebo by appropriate fund type to constitute the primary government presentation. The blended component unit is the Gotebo Public Works Authority. The fund is included in the Gotebo Public Works Authority Enterprise Fund.

The component unit does not issue separately audited component unit financial statements.

C. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Town of Gotebo, Oklahoma  
Notes to the Basic Financial Statements  
June 30, 2014

### Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The Town of Gotebo presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

#### **Governmental Funds**

##### General Fund

The general fund is the primary operating fund of the Town and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

##### Special Revenue Funds

Special revenue funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Town. The reporting entity includes the following special revenue funds.

**Cemetery Fund.** This fund accounts for revenues and expenditures dedicated to operation and maintenance of the cemetery.

Town of Gotebo, Oklahoma  
Notes to the Basic Financial Statements  
June 30, 2014

### **Proprietary Funds**

Enterprise fund.

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Gotebo Public Works Authority to account for activities of the public trust in providing water, wastewater, and sanitation services to the public.

#### **D. Measurement Focus and Basis of Accounting.**

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

##### **Measurement focus**

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting as defined below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

1. All governmental funds used a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.
2. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Town of Gotebo, Oklahoma  
Notes to the Basic Financial Statements  
June 30, 2014

#### Basis of accounting

The government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, business-like, and component unit activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements, proprietary fund statements, and the similar discretely presented component unit statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting.

#### E. Assets, Liabilities, and Equity

##### Cash and cash equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents.

##### Investments

Investments classified in the financial statements consist entirely of certificates of deposit whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value.

##### Capital assets

The Town's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

Town of Gotebo, Oklahoma  
Notes to the Basic Financial Statements  
June 30, 2014

### Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings	40-50 years
Improvements other than buildings	10-25 years
Machinery, furniture, and equipment	3-20 years
Utility property and improvements	10-50 years
Infrastructure	25-50 years

### Fund Financial Statements

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements.

Long-term debt arising from cash basis transactions of governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The account for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

Town of Gotebo, Oklahoma  
Notes to the Basic Financial Statements  
June 30, 2014

Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

1. Invested in capital position, net of related debt-Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
2. Restricted net position-Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments or by law through constitutional provisions or enabling legislation.
3. Unrestricted net position-All other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

It is the Town's policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Financial Statements

Government fund equity is classified as fund balance. Proprietary fund equity is classified the same as in government-wide statements.

F. Revenues, Expenditures, and Expenses

Program revenues

In the Statement of Activities, modified cash basis revenues are derived directly from each activity or from parties outside the Town's taxpayers are reported as program revenues. The Town has the following program revenues in each activity:

General government	Contributions, surplus property sales, etc.
--------------------	---

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Town of Gotebo, Oklahoma  
Notes to the Basic Financial Statements  
June 30, 2014

### Operating revenue and expenses

Operating revenues and expenses for proprietary funds and the similar discretely presented component units (if applicable) result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

### G. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the financial statements have been eliminated or reclassified.

#### Fund financial statements

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans-Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services-Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements-Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers-Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

#### Government-wide financial statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances-Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the residual amounts due between governmental and business-type activities, which are reported as Internal Balances.

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2. Internal activities-Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities which are reported as Transfers-Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.
3. Primary government and component unit activity and balances-Resource flows between the primary government (the Town and Municipal Authority) and the discretely-presented component unit, if any, are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

H. Use of Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the Town requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Note 2-Stewardship, Compliance, and Accountability

By its nature as a local governmental unit, the Town and its component units are subject to various federal, state, and local laws and contractual regulations.

Note 3-Detail Notes-Transaction Classes/Accounts

A. Cash and investments

Custodial credit risk-deposits

Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The Town of Gotebo is governed by the State Public Deposit Act which requires that the town obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and if held by a counterparty or a counterparty's trust department or agent, but not in the government's name.

As of June 30, 2014, the Town of Gotebo was not exposed to custodial credit risk as defined above.



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Investments and custodial credit risk

Investments are limited by state law to the following:

- a. Direct obligations of the U. S. Government, its agencies and instrumentalities to which the full faith and credit of the U. S. Government is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitations, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper, and repurchase agreements with certain limitations.
- d. County, municipal, or school district tax-supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in paragraphs a, b, c, and d.

B. Restricted assets

The amounts reported as restricted assets are composed of amounts held by the Gotebo Public Works Authority for utility deposits (refunded upon termination of service or applied to the final bill) of \$8,944.

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Note 3-Detail Notes-Transaction Classes/Accounts (continued)

C. Capital assets

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year ended June 30, 2014, was as follows:

	Balance			Balance
	July 1, 2013	Additions	Deductions	June 30, 2014
Governmental activities:				
Land		8,004		8,004
Cemetery lots repurchased	-			-
Equipment	233,042		-	233,042
Construction work in process	5,950		5,950	-
Total capital assets	238,992	8,004	5,950	241,046
Less accumulated depreciation	73,222	10,204		83,426
Governmental activities capital assets	165,770	(2,200)	5,950	157,620
Business-type activities:				
Land		2,500		2,500
Water plant	389,874			389,874
Work in progress		90,933		90,933
Equipment	12,655			12,655
Total capital assets	402,529	93,433	-	495,962
Less accumulated depreciation	298,670	4,313		302,983
Business-type activities capital assets	103,859	89,120	-	192,979

For the year ended, \$10,204 of depreciation expense was charged against the net position of governmental activities and \$4,313 of depreciation expense was charged against the retained earnings of business-type activities.

D. Long-term debt

The reporting entity's long-term debt arising from cash transactions is to be repaid from business-type activities.

As of June 30, 2014, the long-term debt, arising from cash transactions, payable from proprietary fund resources consisted of the following:

		June 30		
		2013	2014	
Refundable utility deposits		8,194	8,944	
Notes payable, U. S. Department of Agriculture		19,880	13,910	
Totals		28,074	22,854	

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## Note 3-Detail Notes-Transaction Classes/Accounts (continued)

## D. Long-term debt (continued)

Notes payable:				
Note payable to U. S. Department of Agriculture, payable in monthly installments of \$569, with interest at 5%			13,910	
Total notes payable			<u>13,910</u>	
Refundable deposits:				
Refundable deposits reported as a liability within the Statement of Net Position are composed of the following:				
Utility deposits-refundable			8,944	
Total utility deposits-refundable			<u>8,944</u>	

The following is a summary of changes in long-term debt for the year ended  
June 30, 2014:

Type of debt	Balance July 1, 2013	Additions	Reduction	Amount due	
				Balance June 30, 2014	within one year
Business-type activities:					
Notes payable	19,880		5,970	13,910	6,275
Refundable deposits	8,194	750		8,944	
Total business-type activities	28,074	750	5,970	22,854	6,275

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Note 3-Detail Notes-Transaction Classes/Accounts (continued)

D. Long-term debt (continued)

Generally accepted accounting principles require disclosure of amounts required for debt service in each of the next five years and for each subsequent five year period until maturity. These amounts are shown below:

	Fiscal year				
	ended				
	June 30	Principal	Interest	Total	
	2015	6,275	553	6,828	
	2016	6,596	232	6,828	
	2017	1,039	6	1,045	
	Total	13,910	791	14,701	

Note 4-Risk Management.

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town manages these various risks of loss by purchasing commercial insurance. In so doing, each incidence may have a nominal deductible amount that is uninsured, but no material risk of loss is retained.

Note 5-Commitments and contingencies

The Town of Gotebo and its component units participate in various federal or state loans and/or grant programs from year to year. For the year ended June 30, 2014, the Town of Gotebo's involvement in federal and state award programs was material. These programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to insure compliance with the specific conditions of the grant or loan. The Town of Gotebo has not been notified of any noncompliance with federal or state award requirements.

Note 6-Date of management's evaluation of subsequent events.

Management of the organization has evaluated the effects of events that have occurred subsequent to the fiscal year ended June 30, 2014, and through February 16, 2015, which is the date the organization's basic financial statements are available to be issued.

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Note 7-Intergovernmental revenues.

Intergovernmental revenues were received from the following sources:

			Amount		
			received	expended	
	CENA		2,344	2,344	
	Oklahoma Department of Agriculture		4,474	4,474	
	Southwestern Oklahoma Development Authority		91,437	91,437	
	Totals		98,255	98,255	

Note 8-Restricted cash.

Certain amounts of cash are restricted for legal purposes, compliance with debt agreements, and board designated purposes. The sum of \$8,918 is restricted for replacement and reserve funds required by the debt agreement with the U. S. Department of Agriculture. The sum of \$8,944 is restricted to repay security deposits of utility customers when service is terminated in compliance with state statutes.